

**WASHINGTON D.C.** – In response to a September 16, 2009 request by Rep. Darrell Issa (R-CA), the Ranking Member of the House Committee on Oversight and Government Reform and U.S. Senator Susan Collins (R-Maine), the Ranking Member of the Senate Committee on Homeland Security and Government Affairs, the Office of Inspector General (OIG), Inspections and Evaluations Division of the U.S. Department of Housing and Urban Development (HUD) [has released a report](#) detailing the results of its investigation of grant funds awarded under HUD's Housing Counseling Program to ACORN Housing Corporation, Inc. (AHC) of Chicago, now operating as Affordable Housing Centers of America (AHCOA)."

"For continued approval as a HUD-approved housing counseling agency and for future awards consideration, AHC (now operating as AHCOA) must bring its operations into full compliance with applicable laws, regulations, and policies governing HUD's Housing Counseling Program," the OIG's report recommends. "The inability to fully support salary expenses allocated to the HUD grant raises serious concerns about the integrity of those charges, particularly given the millions of Federal and non-Federal dollars made available to AHC in FY 2008 and 2009. Further, services procured from ACORN "associated" organizations failed to meet the required tests of 'open and free competition'. We recommend that HUD's Office of Single Family Housing, Program Support Division consider placing AHCOA in 'inactive' status while its initiates corrective actions to address the exceptions and recommendations in this report."

“Any organization that applies for and accepts taxpayer dollars has a responsibility to act consistently with federal law,” said Issa. “It doesn’t matter if its ten dollars or ten thousand dollars, there is no acceptable amount of abuse or mismanagement that the federal government should tolerate when it comes to the taxpayer’s dollars.”

### **The OIG’s findings included:**

- HUD has awarded ACORN more than \$19 million in housing counseling grants since 1995.
- ACORN received \$3,252,399 in housing counseling grants between 2008 and 2009. More than \$2.544 million (nearly 80%) of the HUD grants were used to pay ACORN’s salaries.
- ACORN may have concealed fraud by destroying or failing to produce records.

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- "A determination could not be made as to what activities the employees performed or which grant to charge for those activities. Consequently, HUD had no assurance that it did not bear more than its fair share of the costs incurred for salary expenses of AHC's counselors." (p.10).

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- "Availability of records impeded [HUD's] attempt to trace AHC's summary schedules of counselors' salary expenses to the housing counseling activities that occurred[.]" (p.11).

§ ACORN Housing received more than \$27.269 million from other Federal and non-Federal sources.

o NeighborWorks, a congressionally chartered nonprofit, provided ACORN with \$25,857,000 million.

o "AHC's caseload allocation methodology for salary expenses to the HUD housing counseling grants proved **problematic** in an environment of multiple funding sources and was unsupported." (p. 11).

o **NeighborWorks grant funds were misappropriated as well.** "The housing counseling service costs were either charged as salary expenses to the HUD housing counseling grants or as fees to the NeighborWorks' NFMC [National Foreclosure Mitigation Counseling] grants. For counselors who provided services under both grants, reimbursement of their salary costs for HUD billing purposes was based on a percentage derived from the ratio of HUD to NFMC cases as opposed to using the actual number of hours attributable to the HUD counseling grant." (p. 11).

§ "Also, missing was documentation of the actual activities to support the percentages of

allocations to the HUD grant.” There was “the risk of inequitable charges when counselors’ time was split between HUD, NFMCC, and/or other funding sources.” (p. 11).

§ ACORN’s use of grants did not comply with Office of Management and Budget (OMB) Circular A-122.

o ACORN charged the **government salary costs for employees after they were terminated** (p.12).

o ACORN **charged 2008 salary expenses to a 2009 grant in violation** of Article III and Article IX of the HUD grant agreement (p.12-13).

§ **ACORN violated 24 CFR Part 84** (federal procurement standards) when it obtained accounting and legal services, leased office space, and sought health care and retirement benefits from its affiliated nonprofits. These services were obtained by ACORN **without ensuring open and free competition as required by law.**

§ Because ACORN failed to comply with 24 CFR Part 84, § 84.43, which requires that “All procurement transactions shall be conducted in a manner to provide . . . open and free competition [without] conflicts of interest as well as noncompetitive practices”, **ACORN's self-dealing served to funnel taxpayer dollars to its affiliates** (p.13).

o Citizens Consulting, Inc., (CCI) an ACORN affiliate, provided AHC's accounting and legal services and charged \$345,174 to HUD.

o “CCI’s services were essentially a sole source arrangement that lacked an ‘arms length’ basis for demonstrating cost reasonableness.” (p. 14).

o AHC leased office space from ACORN-San Jose, ACORN-Sacramento, Elysian Fields Corporation, and New Mexico Organizing and Support Center – all ACORN affiliates – and “Branch office **leasing costs were charged directly to the HUD housing counseling grants**” (p. 14).

o AHC obtained health care benefits for its employees from the Council Health Plan and the Community Health Insurance Plan (CHIP), both were identified as ACORN-owned in Elizabeth Kingsley’s June 18, 2008 report on ACORN mismanagement. “ **The costs of both plans were billed to the HUD counseling grants**” (p. 15).

o ACORN's retirement funds were managed by ACORN affiliate Council Benefit Association (CBA). **Costs of \$460,630 in 2008 and \$384,693 in 2009 were billed to HUD** (p. 15).

§ Unfortunately, ACORN's money laundering is impossible to track: "Further, cost or price analysis and documentation to support the basis and justification for the services was not readily available." (p. 13).

Click [here](#) to read April 2010 Oversight Republican report entitled "ACORN Political Machine Tries to Reinvent Itself."



Click [here](#) to read the July 2009 Oversight Republican report entitled "Is ACORN Intentionally Structured as a Criminal Enterprise?"

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